



# **2016/2017 FINAL BUDGET REPORT**

**31 MAY 2016**

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## GLOSSARY

**MFMA:** Municipal Financial Management Act

**MWIG:** Municipal water infrastructure grant

**GDARD:** Gauteng Department of Agriculture and Rural Development

**EPWP:** Expanded public works programme

**FMG:** Finance management grant

**MSIG:** Municipal systems improvement grant

**RSC:** Regional Services Council

**IDC:** Industrial Development Corporation

**WRDM:** West Rand District municipality

**WRDA:** West Rand Development Agency

**DoRA:** Division of Revenue Act

**mSCOA:** Municipal Standard Chart of Accounts.

**MTREF:** Medium term revenue and expenditure framework

## 1. PURPOSE

The seek approval of 2016/ 2017 final budget by Council.

## 2. LEGISLATIVE BACKGROUND

Section 24 of Municipal finance management Act, 2003 states that the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

(2) An annual budget—

(a) must be approved before the start of the budget year;

(b) is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and

(c) must be approved together with the adoption of resolutions as may be necessary—

(i) imposing any municipal tax for the budget year;

(ii) setting any municipal tariffs for the budget year;

(iii) approving measurable performance objectives for revenue from each source and for each vote in the budget;

(iv) approving any changes to the municipality's integrated development plan; and

(v) approving any changes to the municipality's budget-related policies.

(3) The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

Section 17 of MFMA further states that

(1) An annual budget of a municipality must be a schedule in the prescribed format—

(a) setting out realistically anticipated revenue for the budget year from each revenue source;

(b) appropriating expenditure for the budget year under the different votes of the municipality;

(c) setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;

(d) setting out—

(i) estimated revenue and expenditure by vote for the current year; and

(ii) actual revenue and expenditure by vote for the financial year preceding the current year; and

(e) a statement containing any other information required by section 215(3) of the Constitution or as may be prescribed.

(2) An annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed.

### 3. MAYORS REPORT

In preparing this budget, the input of all communities and stakeholders in the West Rand District was taken into account as required by chapter 5 of the local government municipal systems Act. Strategic alignment of West Rand IDP with National development plan, provincial strategic objectives as well as the District vision guided us in the allocation of our available resources to achieve our goals in reducing poverty, unemployment and inequality within our region. The total proposed medium term revenue is therefore R299 million.

West Rand District Municipality received a conditional grant amounting to R1.3 million through the Division of Revenue Act from the Department of Public works to create sustainable work opportunities for people in our region.

West Rand District Municipality achieved an improved consolidated audit opinion in the 2014/ 2015 financial year. I must commend the Municipal manager, Chief financial officers, officials and councilors for their hard work to achieve this.

A major challenge facing our municipality is financial sustainability to be encountered in 2016/ 2017 financial year due to budget cuts validated by Honorable minister of Finance specifically focusing on local government when the 2016 budget speech was delivered in February 2016. Thus the municipality will be cutting operational costs materially.

One of the challenges encountered by the municipality is the implementation of the Municipal Standard Chart of Accounts. We have already started with this process and we are confident that this goal will also be achieved by the due date of 1 July 2017.

Indeed, Madam Speaker, The Strong District Governance is a dream and a reality we await in anticipation prior to the West Rand Metropolitan status of local government.

In the coming financial year the province will spend R1.4 billion towards the Western Development corridor.

The Department of Human Settlements has allocated R956.3 million in this region. R250 million for planning and design of Syferfontein phases 1 and 2, a development with the potential to deliver over 60 000 units. We will continue construction at Kagiso Extension 13, Chief Mogale, Leratong, Khutsong South Extension 1, 2 and 3, Kokosi and bulk water reservoir in Droogenheuvel,

Over R200 million is set aside towards planning and construction of houses in Mohlakeng, Khutsong, Bekkersdal and Krugersdorp.

R22.4 million will be spent on school rehabilitation in Fochville, Westonaria and Khutsong.

Health has allocated R164.1 million towards construction work at Randgate Clinic, maintenance of existing clinics and planning for the construction of four new clinics. R48.4 million has been set aside for the revitalisation of Dr. Yusuf Dadoo hospital.

The Department Roads and Transport allocated R197.6 million towards the construction and rehabilitation of roads in the corridor. R14.5 million is set aside towards the construction of a Driving License Testing Centre in Kagiso.

GDARD has set aside R10 million for two new Agri-Parks and the expansion of the Tarlton Agri-park. The department has also budgeted for a new milling plant in Randfontein this year.

The Department of Sport, Recreation, Arts and Culture will complete the Kokosi, Randfontein and Kagiso community libraries this year. To support tourism in the western corridors, the Gauteng Tourism Agency has budgeted R47 million for upgrades to Maropeng and the Cradle of humankind this year.

## 4. SUMMARY OF THE BUDGET

The total operating and capital expenditure budget appropriation over the 2016/2017 to 2018/2019 MTREF illustrates as follows:

Table 1: Budget summary

DC48 West Rand - Table A1 Budget Summary

Description	2012/13	2013/14	2014/15	Budget Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	2,972	2,125	1,024	4,013	4,032	4,032	4,032	30,656	32,618	34,706
Investment revenue	6,245	4,265	3,297	7,177	7,177	7,177	7,177	3,139	3,340	3,554
Transfers recognised - operational	205,157	218,094	190,547	204,435	227,838	227,838	227,838	203,891	216,940	230,824
Other own revenue	25,529	8,319	43,510	82,803	67,660	67,660	67,660	59,382	63,714	67,226
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>239,903</b>	<b>232,803</b>	<b>238,378</b>	<b>298,428</b>	<b>306,707</b>	<b>306,707</b>	<b>306,707</b>	<b>297,068</b>	<b>316,613</b>	<b>336,310</b>
Employee costs	151,565	162,327	175,080	169,429	169,513	169,513	169,513	173,518	184,623	196,439
Remuneration of councillors	7,989	9,509	10,093	12,327	11,627	11,627	11,627	13,692	14,568	15,501
Depreciation & asset impairment	11,690	12,107	16,116	9,798	9,798	9,798	9,798	15,650	16,652	17,718
Finance charges	928	739	600	95	95	95	95	1,200	1,277	1,359
Materials and bulk purchases	-	-	-	-	-	-	-	766	815	867
Transfers and grants	4,394	4,394	4,394	4,394	4,394	4,394	4,394	4,392	4,673	4,972
Other expenditure	97,295	103,853	80,943	94,489	123,579	123,579	123,579	90,328	96,109	102,260
<b>Total Expenditure</b>	<b>273,861</b>	<b>292,929</b>	<b>287,226</b>	<b>290,532</b>	<b>319,006</b>	<b>319,006</b>	<b>319,006</b>	<b>299,546</b>	<b>318,717</b>	<b>339,115</b>
<b>Surplus/(Deficit)</b>	<b>(33,958)</b>	<b>(60,126)</b>	<b>(48,848)</b>	<b>7,896</b>	<b>(12,299)</b>	<b>(12,299)</b>	<b>(12,299)</b>	<b>(2,478)</b>	<b>(2,105)</b>	<b>(2,805)</b>
Transfers recognised - capital	-	-	-	12,204	12,299	12,299	12,299	12,484	13,283	14,133
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(33,958)</b>	<b>(60,126)</b>	<b>(48,848)</b>	<b>20,100</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>10,006</b>	<b>11,178</b>	<b>11,328</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(33,958)</b>	<b>(60,126)</b>	<b>(48,848)</b>	<b>20,100</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>10,006</b>	<b>11,178</b>	<b>11,328</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>7,899</b>	<b>3,248</b>	<b>5,086</b>	<b>20,100</b>	<b>10,200</b>	<b>10,200</b>	<b>10,200</b>	<b>10,000</b>	<b>-</b>	<b>-</b>
Transfers recognised - capital	7,899	3,248	5,086	10,000	10,000	10,000	10,000	10,000	10,640	11,321
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	5,086	10,100	200	200	200	-	-	-
<b>Total sources of capital funds</b>	<b>7,899</b>	<b>3,248</b>	<b>10,172</b>	<b>20,100</b>	<b>10,200</b>	<b>10,200</b>	<b>10,200</b>	<b>10,000</b>	<b>10,640</b>	<b>11,321</b>

DC48 West Rand - Table A1 Budget Summary

Description	2012/13	2013/14	2014/15	Budget Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousands</b>										
<b>Financial position</b>										
Total current assets	88,096	41,155	39,436	167,455	26,476	26,476	26,476	41,677	69,015	98,101
Total non current assets	89,448	78,557	89,297	135,790	87,175	87,175	87,175	73,998	74,643	77,902
Total current liabilities	37,023	28,696	49,738	37,523	7,378	7,378	7,378	7,851	8,353	8,888
Total non current liabilities	51,814	62,555	69,933	61,811	69,843	69,843	69,843	70,599	75,303	77,958
Community wealth/Equity	<b>88,707</b>	<b>28,461</b>	<b>9,061</b>	<b>203,911</b>	<b>36,430</b>	<b>36,430</b>	<b>36,430</b>	<b>37,226</b>	<b>60,002</b>	<b>89,158</b>
<b>Cash flows</b>										
Net cash from (used) operating	(4,560)	(36,336)	566	20,100	(0)	(0)	(0)	25,656	27,298	29,045
Net cash from (used) investing	(7,818)	(3,334)	(1,716)	(20,100)	(10,200)	(10,200)	(10,200)	(10,000)	-	-
Net cash from (used) financing	1,812	(4,858)	(5,663)	-	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>88,717</b>	<b>36,918</b>	<b>35,612</b>	<b>86,562</b>	<b>25,412</b>	<b>25,412</b>	<b>25,412</b>	<b>41,068</b>	<b>68,367</b>	<b>97,412</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	82,948	54,052	35,612	169,183	25,412	25,412	25,412	41,082	68,395	97,457
Application of cash and investments	22,017	18,829	41,799	11,275	(1,608)	(1,608)	(1,608)	(2,195)	(1,701)	(1,007)
<b>Balance - surplus (shortfall)</b>	<b>60,931</b>	<b>35,223</b>	<b>(6,187)</b>	<b>157,908</b>	<b>27,020</b>	<b>27,020</b>	<b>27,020</b>	<b>43,277</b>	<b>70,096</b>	<b>98,464</b>
<b>Asset management</b>										
Asset register summary (WDV)	93,085	92,007	73,161	106,117	71,039	71,039	58,555	58,555	60,462	63,702
Depreciation & asset impairment	15,317	18,570	13,068	9,798	9,798	9,798	14,741	14,741	15,685	16,689
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	2,229	4,898	2,670	2,305	2,305	2,305	2,453	2,453	2,609	2,776

The municipality have reviewed its tariff policy and managed to yield a funded budget and also will be using cash-backed reserves. Furthermore municipal council took cognizance of circular 82 for cost containment measures on 28 April 2016 and the following cost containment measures were implemented:

- Reduced catering at official functions and meetings
- Improved prioritization of expenditure
- Reduced leave encashment
- Reduced overtime

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that services are provided sustainably, economically and equitably to all communities. It is our view that the 2016/17 financial year should be approached with realism and a tightening fiscal discipline and we believe that we should guard against unrealistic demands and concentrate on our key role of uplifting our communities in the West Rand Region as a whole.

The Municipality's business and service delivery priorities were again reviewed as part of this year's planning and budget process. The municipality strives to deliver sustainable services to its community without overburdening the consumers with excessive service fees with the key priority of government this year being a "back to basics" approach.

In addressing the key considerations contained in National Treasury's MFMA Circular 78, the following are highlighted in the budget:

- A decision to opt for reclassification of outright purchase of rescue vehicle to leasing, which afforded the municipality with opportunity to save costs as compared to Capital purchase.
- Tariff increases were kept as low as possible to ensure affordability thereof, whilst keeping in mind the cost of delivering services of a high quality.
- The municipality recognizes the importance of cash reserves and thereof strives to maintain a current ratio of not lower than 2:1 (Current assets: Current liabilities)

In addition, as part of strengthening district governance, the West Rand District Municipality is in the process of re-instituting the regional fire services levy function. This is expected, once approved by the relevant Ministers, to generate a considerable amount of revenue to sustain the provision of emergency fire and rescue services to the whole of West Rand. We also anticipate, that functions will be re-determined by the MEC responsible for Local government to allow the district to play a more efficient and sustainable role in coordinating the west rand municipalities towards vision 2021 Metro.

## 5. FINANCIAL PERFORMANCE

**Table 2: Budgeted financial performance by revenue type**

DC48 West Rand - Table A4 Budgeted Financial Performance (revenue)

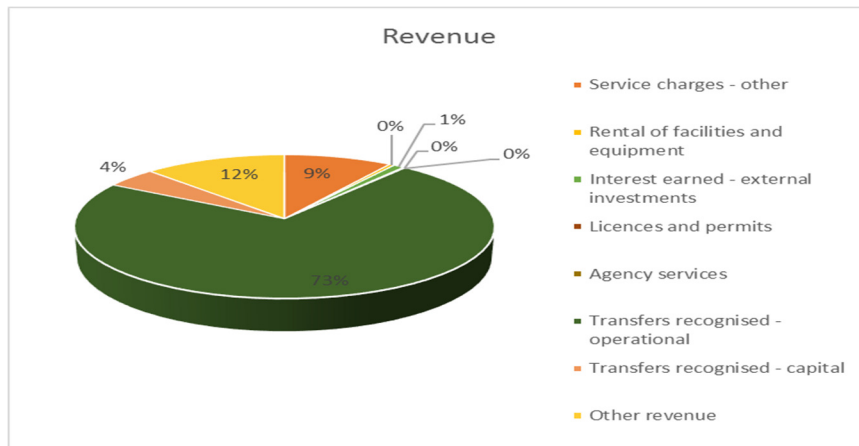
Description	Ref	Current year Budget 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousands</b>						
<b>Revenue By Source</b>						
Service charges - other		4,013	4,032	30,656	32,618	34,706
Rental of facilities and equipment		1,947	1,947	1,200	1,277	1,359
Interest earned - external investments		7,177	7,177	3,139	3,340	3,554
Licences and permits		174	174	500	532	566
Agency services		39,792	28,503	–	–	–
Transfers recognised - operational		204,435	227,838	203,891	216,940	230,824
Transfers recognised - capital		12,204	12,299	12,484	13,283	14,133
Other revenue		40,891	37,036	57,682	61,374	65,302
<b>Total Revenue</b>		<b>310,632</b>	<b>319,006</b>	<b>309,552</b>	<b>329,363</b>	<b>350,443</b>

West Rand District municipality is reliant on grant funding as its main source of revenue. National Treasury decreased equitable share allocation over the MTREF period and increased RSC replacement grant with only 3% per annum.

Overall operation grants decreased from R227 million to R203 million by R24 million.

The District municipality no longer performs Agency function of ambulances as it was surrendered back to Province during 2015/ 2016 financial year. This is one of the contributing factors towards a revenue decline. This and other factors, have resulted in the decision to cut operational budget by R20 million.





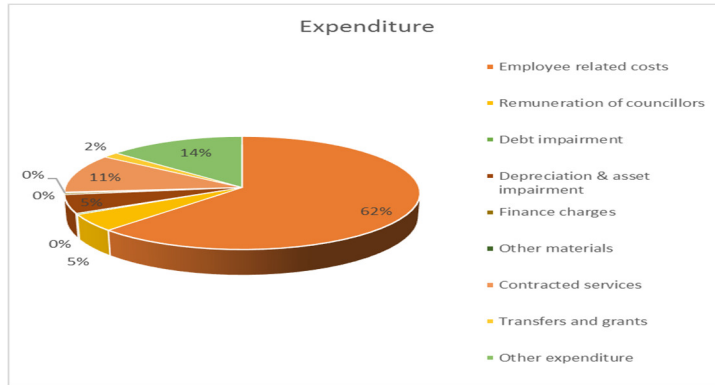
**Table 3: Budgeted financial performance by expenditure type**

**DC48 West Rand - Table A4 Budgeted Financial Performance (expenditure)**

Description	Ref	Current year Budget 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Expenditure By Type</b>						
Employee related costs		169,429	169,513	173,518	184,623	196,439
Remuneration of councillors		12,327	11,627	13,692	14,568	15,501
Debt impairment		–	–	909	967	1,029
Depreciation & asset impairment		9,798	9,798	14,741	15,685	16,689
Finance charges		95	95	1,200	1,277	1,359
Other materials		–	–	766	815	867
Contracted services		2,305	2,305	38,048	40,483	43,074
Transfers and grants		4,394	4,394	4,392	4,673	4,972
Other expenditure		92,184	121,274	52,280	55,626	59,186
<b>Total Expenditure</b>		<b>290,532</b>	<b>319,006</b>	<b>299,546</b>	<b>318,717</b>	<b>339,115</b>

The municipality's operational expenditure has declined from R319 million to R299 million by R20 million. The following costs were omitted from the expenditure budget:

- Overtime costs
- Leave encashment
- Entertainment costs
- Study Assistance

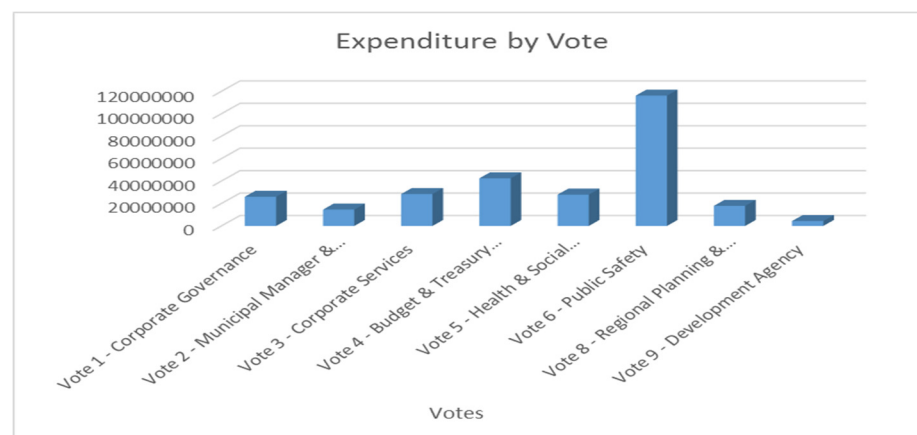


**Table 4: Budgeted financial performance by municipal vote**

**DC48 West Rand - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Ref	Current year Budget 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousands						
Revenue by Vote	1					
Vote 1 - Corporate Governance		16,308	16,308	17,800	18,939	20,151
Vote 2 - Municipal Manager & Support		–	–	–	–	–
Vote 3 - Corporate Services		4,548	4,548	2,950	3,139	3,340
Vote 4 - Budget & Treasury Office		212,728	213,597	228,935	243,587	259,177
Vote 5 - Health & Social Development		46,826	35,479	7,974	8,484	9,027
Vote 6 - Public Safety		3,585	3,585	32,096	34,150	36,336
Vote 7 - Public Safety (Continue)		–	–	–	–	–
Vote 8 - Regional Planning & Economic Development		13,329	41,093	15,405	16,391	17,440
Vote 9 - Development Agency		13,308	4,394	4,392	4,673	4,972
Total Revenue by Vote	2	310,632	319,006	309,552	329,363	350,443
Expenditure by Vote	1					
Vote 1 - Corporate Governance		34,325		26,283	27,965	29,754
Vote 2 - Municipal Manager & Support		15,262	16,597	15,191	16,163	17,198
Vote 3 - Corporate Services		27,466	24,442	28,432	30,251	32,187
Vote 4 - Budget & Treasury Office		34,035	40,137	46,868	49,868	53,060
Vote 5 - Health & Social Development		45,833	45,867	44,425	47,268	50,293
Vote 6 - Public Safety		96,016	109,593	116,521	123,978	131,913
Vote 7 - Public Safety (Continue)		11,944	–	–	–	–
Vote 8 - Regional Planning & Economic Development		15,195	43,669	17,435	18,550	19,738
Vote 9 - Development Agency		10,459	4,394	4,392	4,673	4,972
Total Expenditure by Vote	2	290,532	284,698	299,546	318,717	339,115
Surplus/ (Deficit) for the year	2	20,100	34,308	10,006	10,646	11,328

The municipality is budgeting for a surplus of R10 million. This surplus has been ring-fenced to finance capital expenditure and it was raised as a result of cash back reserves, review of tariffs and opportunity costs realized during planning.



## 6. GRANTS AND SUBSIDIES

Table 5: Budgeted transfers and grants receipt

DC48 West Rand - Supporting Table SA7 Budgeted - transfers and grant receipts

Description	Ref	Current year Budget 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousands</b>						
<b>RECEIPTS:</b>	1,2					
<b>Operating Transfers and Grants</b>						
<b>National Government:</b>		194,022	215,022	192,467	196,920	201,923
Local Government Equitable Share		30,593	30,593	30,273	31,275	33,200
RSC Levy Replacement		154,249	154,249	158,599	162,759	167,723
Finance Management		1,250	1,250	1,250	1,250	1,000
Municipal Systems Improvement		930	930	1,040	1,636	-
IDC Grant		6,000	-	-	-	-
EPWP		1,000	1,000	1,305	-	-
MWIG Programme		-	27,000	-	-	-
<b>Provincial Government:</b>		50,205	40,792	9,974	10,224	10,596
Health subsidy		6,713	6,636	7,174	7,424	7,796
Ambulance subsidy		39,792	28,503	-	-	-
GDARD	4	2,000	3,150	-	-	-
Library grant		1,700	2,503	2,800	2,800	2,800
<b>Other grant providers:</b>		-	527	1,450	1,543	1,642
LG SETA		-	527	1,450	1,543	1,642
<b>Total Operating Transfers and Grants</b>	5	244,227	256,341	203,891	208,687	214,161
<b>Capital Transfers and Grants</b>						
<b>National Government:</b>		12,204	12,299	12,484	12,608	12,749
Neighbourhood Development Partnership		10,000	10,095	10,000	10,000	10,000
Rural Asset Management(Capital Grant)		2,204	2,204	2,484	2,608	2,749
<b>Provincial Government:</b>		-	-	-	-	-
<b>Total Capital Transfers and Grants</b>	5	12,204	12,299	12,484	12,608	12,749
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	5	256,431	268,640	216,375	221,295	226,910

Total grants and subsidies as per DoRA and provincial gazettes allocations amounts to R216 million. The following grants will not be received in 2016/ 2017 financial year:

- IDC grant due to National government's decision not to redeem state owned entities anymore.
- MWIG programme due o change of schedule transfer. The funds will follow the function from 2016/17 and will be transferred directly to the local municipalities.
- Ambulance subsidy due to agency function surrendered back to Gauteng Department of Health

## 7. SUMMARY OF CAPITAL BUDGET

Table 6: Capital budget

DC48 West Rand - Table A5 Capital Expenditure Budget by vote and funding

Vote Description	Ref	Current year Budget 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousands</b>	1					
<b>Capital Expenditure - Standard Classification</b>						
<i><b>Governance and administration</b></i>		100	100	-	-	-
Executive and council		100	100	-	-	-
Budget and treasury office		-	-	-	-	-
<i><b>Community and public safety</b></i>		10,000	100	-	-	-
Public safety		10,000	-	-	-	-
Sport and recreation		-	-	-	-	-
Health		-	100	-	-	-
<i><b>Economic and environmental services</b></i>		10,000	10,000	10,000	-	-
Planning and development		10,000	10,000	10,000	-	-
<i><b>Trading services</b></i>		-	-	-	-	-
<i><b>Other</b></i>		-	-	-	-	-
<b>Total Capital Expenditure - Standard Classification</b>	3	20,100	10,200	10,000	-	-
<b>Funded by:</b>						
National Government		10,000	10,000	10,000	-	-
Provincial Government		-	-	-	-	-
District Municipality		-	-	-	-	-
Other transfers and grants		-	-	-	-	-
<b>Transfers recognised - capital</b>		10,000	10,000	10,000	-	-
<b>Public contributions &amp; donations</b>		-	-	-	-	-
<b>Borrowing</b>		-	-	-	-	-
<b>Internally generated funds</b>		10,100	200	-	-	-
<b>Total Capital Funding</b>		20,100	10,200	10,000	-	-

Capital budget decreased from R20.1 million to R10 million. The details are reflected in table A5.

The overall decrease is due to the fiscal cutting by the Hon Minister of Finance. The Municipality can only afford to implement one capital project which relates to the paving of street financed through the Neighborhood development grant.

## 8. CASH FLOW

Table 7: Budgeted cash flow

DC48 West Rand - Table A7 Budget Cash Flows

Description	Ref	Current year Budget 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousands</b>	1					
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
<b>Receipts</b>						
Service charges		4,013	4,032	30,656	32,618	34,706
Other revenue		82,803	67,660	59,382	63,182	67,226
Government - operating		204,435	227,838	203,891	216,940	230,824
Government - capital		12,204	12,299	12,484	13,283	14,133
Interest		7,177	7,177	3,139	3,340	3,554
<b>Payments</b>						
Suppliers and employees		(286,043)	(314,517)	(278,304)	(296,115)	(315,066)
Finance charges		(95)	(95)	(1,200)	(1,277)	(1,359)
Transfers and Grants		(4,394)	(4,394)	(4,392)	(4,673)	(4,972)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>20,100</b>	<b>(0)</b>	<b>25,656</b>	<b>27,298</b>	<b>29,045</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Receipts</b>						
Proceeds on disposal of PPE		–	–	–	–	–
<b>Payments</b>						
Capital assets		(20,100)	(10,200)	(10,000)	–	–
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(20,100)</b>	<b>(10,200)</b>	<b>(10,000)</b>	<b>–</b>	<b>–</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Receipts</b>						
Borrowing long term/refinancing		–	–	–	–	–
<b>Payments</b>						
Repayment of borrowing		–	–	–	–	–
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(0)</b>	<b>(10,200)</b>	<b>15,656</b>	<b>27,298</b>	<b>29,045</b>
Cash/cash equivalents at beginning:		86,562	35,612	25,412	41,068	68,367
Cash/cash equivalents at month/year end:		<b>86,562</b>	<b>25,412</b>	<b>41,068</b>	<b>68,367</b>	<b>97,412</b>

The municipality is anticipating that after taking into account all revenue and expenditure transactions that the remaining cash balance at the end of the financial year will amount to R41 million. This amount will includes investments amounting to R37 million.

## 9. FINANCIAL POSITION

Table 8: Budgeted financial position

DC48 West Rand - Table A6 Budgeted Financial Position

Description	Ref	Current year Budget 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousands</b>	1					
<b>ASSETS</b>						
<b>Current assets</b>						
Cash		99,877	412	3,418	1,616	5,019
Call investment & fixed deposits		40,556	25,000	37,650	66,751	92,393
Receivables from exchange transactions		26,248	290	350	372	396
Inventory		773	773	259	276	293
<b>Total current assets</b>		<b>167,455</b>	<b>26,476</b>	<b>41,677</b>	<b>69,015</b>	<b>98,101</b>
<b>Non current assets</b>						
Long-term receivables		–	1,557	2,100	1,600	900
Investments		28,750	–	–	–	–
Investment property		3,582	4,450	5,418	6,486	7,654
Investments in whole owned subsidiary		–	14,579	14,579	14,579	14,579
Property, plant and equipment		96,060	65,406	50,665	49,980	53,491
Agricultural		275	–	–	–	–
Biological assets		–	328	328	328	328
Intangible assets		6,199	855	908	1,670	950
Other non-current assets		923	–	–	–	–
<b>Total non current assets</b>		<b>135,790</b>	<b>87,175</b>	<b>73,998</b>	<b>74,643</b>	<b>77,902</b>
<b>TOTAL ASSETS</b>		<b>303,244</b>	<b>113,651</b>	<b>115,675</b>	<b>143,658</b>	<b>176,004</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Unspent conditional grants		–	–	–	–	–
Trade and other payables		37,523	239	255	271	289
Provisions		–	7,139	7,596	8,082	8,599
<b>Total current liabilities</b>		<b>37,523</b>	<b>7,378</b>	<b>7,851</b>	<b>8,353</b>	<b>8,888</b>
<b>Non current liabilities</b>						
Employee benefit obligation		–	58,037	58,037	61,937	63,737
Provisions		61,811	11,806	12,562	13,366	14,221
<b>Total non current liabilities</b>		<b>61,811</b>	<b>69,843</b>	<b>70,599</b>	<b>75,303</b>	<b>77,958</b>
<b>TOTAL LIABILITIES</b>		<b>99,334</b>	<b>77,221</b>	<b>78,449</b>	<b>83,656</b>	<b>86,846</b>
<b>NET ASSETS</b>	2	<b>203,911</b>	<b>36,429</b>	<b>37,226</b>	<b>60,002</b>	<b>89,158</b>
<b>COMMUNITY WEALTH/EQUITY</b>						
Accumulated Surplus/(Deficit)		203,911	21,851	22,647	45,423	74,579
Share Premium		–	14,579	14,579	14,579	14,579
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	2	<b>203,911</b>	<b>36,430</b>	<b>37,226</b>	<b>60,002</b>	<b>89,158</b>

Audited consolidated annual financial statements and year to date actual figures were taken into account when determining estimates on financial position.

Total community wealth has been materially affected due to the budgeted operating loss and by applying the basic accounting principle of  $\text{Assets} = \text{Equity} + \text{Liabilities}$ . The municipality is expecting the community wealth to rise in the outer years due to management plans to fund the budgeted deficit.

## 10. BUDGET RELATED POLICIES

Budgeting is central to the process of prioritizing for service delivery and the management of the functions of Council. The District's budgeting process is guided, and governed, by relevant legislation and budget related policies. The following are the key policies that affect, or are affected, by the annual budget:

- Cash management and investment policy
- Virement policy
- Credit control and debt management policy
- Supply chain management policy
- Funding and Reserves Policy
- Budget Management Policy
- Asset management policy
- Tariff book

### Annexures

- A) Municipal Budget Reporting Regulation Schedules
  - A1) Table A1 Budget Summary
  - A2) Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)
  - A3) Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)
  - A4) Table A4 Budgeted Financial Performance (revenue and expenditure)
  - A5) Table A5 Budgeted Capital Expenditure by vote, standard classification and funding
  - A6) Table A6 Budgeted Financial Position
  - A7) Table A7 Budgeted Cash Flows
  - A8) Table A8 Cash backed reserves/accumulated surplus reconciliation
  - A9) Table Asset Management
- B) Minutes of Budget Steering Committee Meeting and Attendance Register
- C) Banking and Investment Policy
- D) Virement Policy
- E) Supply Chain Management Policy
- F) Funding and Reserves Policy
- G) Budget Management Policy
- H) Asset Management Policy
- I) Tariff Book

## 11. RECOMMENDATION

In terms of the Municipal Finance Management Act, 2003 (Act no 56 of 2003), that the municipal council approve 2016/ 2017 Final budget of the District Municipality and the Development Agency:

- That the operational expenditure budget be R 299 million.
- That the revenue budget be R 309 million.
- That the capital budget be R 10 million
- That reviewed budget related policies and tariff book affecting 2016/ 2017 Final budget be approved.